BASSO ASSOCIATES UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

BASSO ASSOCIATES UK LIMITED

COMPANY INFORMATION

Directors	H. Fischer D. Nelson
Company secretary	Jordan Company Secretaries Limited
Registered number	05195355
Registered office	20-22 Bedford Row London WC1R 4JS
Independent auditors	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

BASSO ASSOCIATES UK LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Business review

The Company acts as sub-advisor to Basso Capital Management, L.P. ("BCM"), which is the investment manager for various Basso funds identified in the Form ADV I on file with the SEC (the "Funds"). In its capacity as sub-advisor to BCM, the Company provides investment recommendations and advice and due diligence and research services to BCM, pursuant to the terms of an Amended and Restated Sub-Advisory and management Agreement dated as of November 1, 2007 (the "Sub-Advisory Agreement"). The Company is subject to the risk that regulatory and other changes (including changes affecting the taxation of the Company) could impact the manner in which the Company currently operates.

The Company bears all costs and expenses incurred by it in connection with the provision of services under the Sub-Advisory Agreement. The Company receives compensation from BCM in the form of an annual fee in an amount equal to (i) the costs and expenses referred to in the preceding sentence, plus (ii) 10% of the amount referred to in clause (i) of this sentence or such additional amounts as the Company and BCM may mutally agree from time to time.

The Company is dependent on the support of and fees paid by BCM, as its parent and as the counterparty to the Sub-Advisory Agreement. BCM receives management and performance based compensation from the Funds. In the event of a material adverse effect on the financial condition of BCM, it is likely that the financial condition of the Company would be materially and adversely affected. However, the Company currently does not anticipate any material changes to its business or results in 2015.

Principal risks and uncertainties

The services provided carry no perceivable commercial risk whilst BCM requires such services as noted above. As such, the greatest risk faced by the company is its dependence on BCM continuing to fund the Company via the Sub-Advisory Agreement and the underlying performance of the Funds. While compliance, financial and operational risks faced by the Company are minimal, the directors assess these on a regular basis to ensure this remains accurate.

Financial key performance indicators

Due to the relationship between BCM and the Company as noted above, the directors do not use any financial key performance indicators to assess the business other than ensuring the Company has the required equity to cover its capital requirement required by the Financial Conduct Authority.

Future developments

The company expects to continue with its present activities.

This report was approved by the board on 23 APRIL 2015 and signed on its behalf.

H. Fischer
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activities

The Company is a private company limited by shares organised under the laws of England and Wales. The Company is a wholly-owned subsidiary of Basso Capital Management, L.P. ("BCM"), a U.S. Delaware Limited Partnership that is an investment advisor registered with the U S Securities and Exchange Commission ("SEC").

The Company is authorised and regulated by the Financial Conduct Authority to carry on regulated activities under the Financial Services and Markets Act 2000 of the UK.

Results and dividends

The profit for the year, after taxation, amounted to £28,942 *(2013 - £63,321)*.

No dividends were paid or proposed during the year *(2013 - £Nil)*.

Directors

The directors who served during the year were:

H. Fischer
D. Nelson

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Moore Stephens LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 APRIL 2015 and signed on its behalf.

H. Fischer
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that* the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BASSO ASSOCIATES UK LIMITED

We have audited the financial statements of Basso Associates UK Limited for the year ended 31 December 2014, set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BASSO ASSOCIATES UK LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kelly Sheppard

Kelly Sheppard (Senior statutory auditor)

for and on behalf of
Moore Stephens LLP (statutory auditor)

150 Aldersgate Street
London
EC1A 4AB
Date: 24 April 2015

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	*2013* *£*
TURNOVER	1	**397,943**	*875,938*
Administrative expenses		**(361,766)**	*(796,782)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**36,177**	*79,156*
Tax on profit on ordinary activities	5	**(7,235)**	*(15,835)*
PROFIT FOR THE FINANCIAL YEAR		**28,942**	*63,321*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 9 to 14 form part of these financial statements.

BASSO ASSOCIATES UK LIMITED
REGISTERED NUMBER: 05195355

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£	2014 £	£	2013 £
CURRENT ASSETS					
Debtors	7	**224,507**		*668,197*	
Cash at bank		**579,003**		*518,665*	
		803,510		*1,186,862*	
CREDITORS: amounts falling due within one year	8	**(206,608)**		*(618,902)*	
NET CURRENT ASSETS			**596,902**		*567,960*
NET ASSETS			**596,902**		*567,960*
CAPITAL AND RESERVES					
Called up share capital	9		**50,000**		*50,000*
Profit and loss account	10		**546,902**		*517,960*
SHAREHOLDERS' FUNDS	11		**596,902**		*567,960*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
23 APRIL 2015

H. Fischer
Director

The notes on pages 9 to 14 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	12	**76,125**	*151,015*
Taxation	13	**(15,787)**	*(13,225)*
INCREASE IN CASH IN THE YEAR		**60,338**	*137,790*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Increase in cash in the year	**60,338**	*137,790*
MOVEMENT IN NET FUNDS IN THE YEAR	**60,338**	*137,790*
Net funds at 1 January 2014	**518,665**	*380,875*
NET FUNDS AT 31 DECEMBER 2014	**579,003**	*518,665*

The notes on pages 9 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

1.2 Turnover

The turnover represents investment advisory and management fees due for the period stated net of valued added tax.

All turnover arose within the U.S

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	25% straight line
Computer equipment	-	33.33% straight line

1.4 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

2. Operating Profit

The operating profit is stated after charging:

	2014 £	2013 £
Auditors' remuneration		
- statutory	6,950	7,100
- taxation	3,900	2,500
- other services	8,764	7,220
Operating lease rentals - land and buildings	20,931	19,826

3. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	263,766	622,116
Social security costs	34,738	84,225
	298,504	706,341

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
	3	3

4. Directors salaries

The directors did not receive or waive any recognition from the company for their services in the year (2013 - £Nil).

5. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	7,235	15,787
Adjustments in respect of prior periods	-	48
Tax on profit on ordinary activities	7,235	15,835

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as *(2013 - higher than)* the standard rate of corporation tax in the UK of 20% *(2013 - 20%)*. The differences are explained below:

	2014	*2013*
	£	*£*
Profit on ordinary activities before tax	36,177	*79,156*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2013 - 20%)*	7,235	*15,831*
Effects of:		
Capital allowances for year in excess of depreciation	-	*(44)*
Adjustments to tax charge in respect of prior periods	-	*48*
Current tax charge for the year (see note above)	7,235	*15,835*

6. Tangible fixed assets

	Fixtures & fittings	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2014 and 31 December 2014	12,919	2,660	15,579
Depreciation			
At 1 January 2014 and 31 December 2014	12,919	2,660	15,579
Net book value			
At 31 December 2014	-	-	-
At 31 December 2013	-	-	-

7. Debtors

	2014	2013
	£	£
Amounts owed by group undertakings	204,705	655,676
Other debtors	15,596	8,710
Prepayments and accrued income	4,206	3,811
	224,507	668,197

Included within other debtors is an amount of £3,040 (2013 - £3,040) in respect of a rent deposit which is receivable upon cessation of the current rental base agreement on 1 February 2015.

8. Creditors:
Amounts falling due within one year

	2014	2013
	£	£
Corporation tax	7,235	15,787
Other taxation and social security	3,260	1,320
Accruals and deferred income	196,113	601,795
	206,608	618,902

9. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

10. Reserves

	Profit and loss account £
At 1 January 2014	517,960
Profit for the financial year	28,942
At 31 December 2014	546,902

11. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	567,960	504,639
Profit for the financial year	28,942	63,321
Closing shareholders' funds	596,902	567,960

12. Net cash flow from operating activities

	2014 £	2013 £
Operating profit	36,177	79,156
Decrease/(increase) in debtors	443,690	(25,643)
(Decrease)/increase in creditors	(403,742)	97,502
Net cash inflow from operating activities	76,125	151,015

13. Analysis of cash flows for headings netted in cash flow statement

	2014 £	2013 £
Taxation		
Corporation tax paid	(15,787)	(13,225)

14. Analysis of changes in net funds

	1 January 2014 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	518,665	60,338	-	579,003
Net funds	518,665	60,338	-	579,003

15. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2014 £	Land and buildings *2013* £
Expiry date:		
In the next year	**1,751**	*1,670*

16. Related party transactions

The company has taken advantage of the exemption available in FRS 8, related party transactions, not to disclose transactions with entities which are part of the same group on the grounds that it is a wholly owned subsidiary.

17. Ultimate parent undertaking and controlling party

The company is owned and controlled by Basso Capital Mangement, L.P., a U.S. Delaware Limited Partnership.

Basso Associates UK Limited

Pillar III disclosure

Basso Associates UK Limited – Pillar 3 disclosure 31 December 2014

Basso Associates UK Limited ("BAUK" or "the Firm") is authorised and regulated by the Financial Conduct Authority (FCA) and as such is subject to certain disclosure requirements.

On 1 January 2014 the new Capital Requirements Directive and Regulation ("CRD IV") took effect in the United Kingdom. Due to the scope of the Firm's activities, BAUK opted out of CRD IV and applied for a requirement to be added to its permission as a *'BIPRU firm - MiFID activity restriction'*.

Since 1 January 2014 BAUK is therefore categorized as a BIPRU firm for prudential purposes.

This Pillar 3 disclosure as at 31 December 2014 is produced in accordance with the disclosure requirements established under the Capital Requirements Directive ('CRD') and BIPRU 11 as applicable to the Firm in its capacity as a BIPRU firm. The CRD established a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.

In the United Kingdom, the CRD was implemented into national law and the relevant requirements are included in the FCA Handbook, specifically in the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirement calculated on the basis of the firm's credit and market risk component;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate and to evaluate the impact that any other risk types have on the firm's capital requirement; and
- Pillar 3 requires disclosure of specific information about the firm's risk management controls, capital adequacy and remuneration.

The rules in BIPRU 11 set out the provisions for Pillar 3 disclosures and this document is designed to meet our obligations according to the relevant FCA rules at that time.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions of information on the grounds that it is immaterial, proprietary or confidential

Basso Associates UK Limited

Pillar III disclosure

Background information

BAUK is a wholly owned subsidiary of Basso Capital Management (BCM). BCM is an SEC registered investment advisor that provides investment management services to various private investment funds formed for the purpose of receiving subscriptions from qualified investors within and outside the United States. The business purpose of BAUK is to provide investment advisory and management services to BCM. BCM is BAUK's sole client and BAUK's principal revenue item is the fees payable from BCM under the Sub-Advisory Agreement.

BAUK does not have custody of any client assets, it does not receiver funds or subscription proceeds from any clients of BCM.

Risk management

The Firm is governed by its Directors who determine the Firm's business model, strategy and risk appetite. The Directors meet periodically to discuss current projections for profitability, cash flow, regulatory capital requirements, and business planning. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing an effective risk management framework to identify, monitor and mitigate all of the risks that the business faces. The Directors manage the Firm's risks through this risk management framework supported by policies and processes implemented according to the relevant laws, standards and rules. These policies and processes are updated regularly as required.

The Firm's risk management framework is implemented and governed by the Directors of the Firm and senior management of both the Firm and BCM. Senior management is responsible for continually reviewing and monitoring the internal controls in place to identify, monitor and mitigate all the risks the Firm faces and reports regularly to the Directors. Due to the size of the Firm and the nature of its business there is not a separate risk committee. The Directors and senior management work closely together on a daily basis and discuss any potential risks that may arise regularly.

As required according to GENPRU 1.2 and the overall Pillar 2 rule, the Firm maintains an Internal Capital Adequacy Assessment Process document ('ICAAP') to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the Pillar 1 capital requirements.

Senior management prepares an annual ICAAP and its contents are thoroughly reviewed and challenged by the Directors. Where the Directors identify material risks, they consider the financial impact that those risks may have on the Firm and conclude whether the allocation of any additional resources over the Pillar 1 regulatory capital is required. The Firm completes an ICAAP document based on the risk assessment annually as noted above.

Upon completing the ICAAP for the financial year ended 31 December 2014, the Firm believes it has adequate capital resources and no additional Pillar 2 capital is required, when considering that the only material risk the Directors have identified is credit risk.

Basso Associates UK Limited

Pillar III disclosure

Regulatory capital

As a BIPRU firm, BAUK is required to hold regulatory capital as the highest of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement.

The relevant calculations of capital adequacy as at 31 December 2014 are shown in the table below:

Capital item	**£'000**
Tier 1 Capital (share capital and retained earnings)	597
Tier 2 Capital	0
Tier 3 Capital	0
Deductions	0
Total Regulatory Capital	**597**

Capital requirement	**£'000**
Base Capital Resource Requirement	39
Market Risk component	0
Credit Risk component	27
Fixed Overhead Requirement	45
Pillar 2 capital	0
Total Regulatory Capital Requirement	**45**
Surplus	**552**

BAUK's Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

The Credit Risk Capital Component is calculated in accordance with BIPRU 3.5 – The Simplified Method. The Firm makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on all bank balances in accordance with BIPRU 3.4.127 – 3.1.133, resulting in a Credit Risk Requirement of £27,000.

BAUK, due to the nature of its activities does not have any counterparty risk or market risk.

Basso Associates UK Limited

Pillar III disclosure

Under GENPRU 2.1.53, as at 31 December 2014, the Firm was subject to a Pillar 1 capital requirement determined by its Fixed Overhead Requirement of £45,000.

Further to the risk quantification in the ICAAP the Firm considers that no additional Pillar 2 capital is required.

The Firm meets its capital adequacy requirements and the surplus of regulatory capital held at financial year end was £552,000.

Basso Associates UK Limited

Pillar III disclosure

Remuneration Code disclosure

Introduction

This disclosure is being made by the Firm in its capacity as a BIPRU firm in accordance with the Pillar 3 disclosure requirements as set out in BIPRU 11.5.18 as at 31 December 2014 as a result of the Remuneration Code that came into force on 1 January 2011.

Since 1 January 2014 BAUK is categorized as a BIPRU firm and refers to the appropriate Remuneration Code in SYSC 19C and proportionality guidance as applicable to a BIPRU firm.

The Remuneration Code affects all those members of staff who have a material impact on the Firm's risk profile, including a person who performs a significant influence function for a firm, a senior manager and risk takers. A senior manager is defined as an individual employed by the Firm to whom the governing body (or a member of the governing body) of the Firm has given responsibility for management and supervision, and who reports directly to the governing body, a member of the governing body, the chief executive, or the head of a significant business group.

The Firm has established and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and prevent exposure to excessive risk.

The two Directors of BAUK decide on a discretionary basis the amount of variable remuneration that a Remuneration Code staff will receive as a result of their performance. This is governed by considering the performance of the Firm overall, the individual staff member's performance and by ensuring that payment of remuneration does not affect the Firm's ability to meet its capital and liquidity requirements. In accordance with the proportionality guidance for a BIPRU firm, BAUK does not have a specific remuneration committee. The Directors formulate and determine the Firm's remuneration policy. Performance is measured against the overall profitability generated by Remuneration Code staff over the relevant performance year.

The Firm had 3 Remuneration Code staff representing senior management as at 31 December 2014. The aggregate amount of applicable remuneration paid to Remuneration Code staff during the period was £263,766.